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**OFFICE OF CURRENT INTELLIGENCE
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1. SOVIET DEFENSE PRODUCTION ACTIVITIES REORGANIZED

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Comment on:

[Redacted] Dmitry Ustinov, 49-year-old former Soviet minister of defense industry, was promoted on 14 December to USSR deputy premier. He will share top responsibility for the administrative

direction of the Soviet government with Premier Bulganin and three other deputy premiers--Anastas Mikoyan, Iosif Kuzmin, and Aleksei Kosygin. Ustinov, known for his ability to arrive at independent decisions, will probably be responsible for all defense production activities.

The new state committees, which on 14 December replaced the ministries of Aircraft Industry, Defense Industry, Radiotechnical Industry, and Shipbuilding, *will enable the* are to ensure central control and coordination--particularly in developmental work ~~over enterprises and plants transferred from the abolished ministries~~ *could then be transferred* to appropriate regional councils of national economy (sovnarkhozy) for operational management.

sov leaders to maintain The ministries affected were among the eight industrial ministries not abolished in Khrushchev's reorganization of industrial management last May. The remaining four--Medium Machine Building (atomic energy), Power Stations, Chemical Industry, and Transport Construction--are apparently considered unsuitable at present for further integration into the sovnarkhoz system because of the broadly interregional interdependence that characterizes their activities or because of security considerations.

Pyotr Dementyev, former minister of aircraft industry, Aleksandr Domrachev, Ustinov's former first deputy in the Ministry of Defense Industry, and Valery Kalmykov, former minister of radiotechnical industry, were appointed chairmen of the respective state committees. Chairmanship of the State Committee for Shipbuilding went to the former deputy minister, Boris Butoma. No assignment for the former minister, Andrei Redkin, was mentioned. Redkin was last noted 6 December in connection with the launching of the atom-powered ice-breaker. [Redacted] 25X1A

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3. BRITISH INTEREST IN EXCLUDING NUCLEAR WEAPONS FROM CENTRAL EUROPE

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25X1A Comment on:

A high British Foreign Office official has told the American embassy in London that a proposal to forbid stationing or manufacture of nuclear weapons in Germany, Poland, and Czechoslovakia might provide a basis for negotiations with the Soviet Union. The West German government has opposed any special European arms limitation zone, but the official believed that indications in West Germany of unwillingness to accept IRBM's now might provide an opening to propose such a specific ban.

The Foreign Office has also shown interest recently in other proposals for special arms limitations in Europe, such as the London Times' suggestion that both East and West Germany renounce intermediate range missiles. Continuing Foreign Office interest in such proposals, along with agreement among leading newspapers that the way must be left open for negotiations with the Soviet Union regarding Central Europe, suggests that members of the Macmillan government may hold similar views, despite their public warnings against any measures that might restrict NATO's military posture.

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4. THE SITUATION IN INDONESIA

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Non-Communist political elements in Indonesia apparently are making new efforts to establish a basis for cooperation in order to regain the initiative from the army and re-establish government by a parliamentary-based cabinet. [REDACTED]

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Preparations are being made to win approval from National party chief Suwirjo and obtain the backing of military and police forces.

Prospects for the success of such a plan appear improved by Foreign Minister Subandrio's statement that Sukarno now is willing to see a new cabinet formed without Communist participation. However, the President is said to insist that the Djuanda cabinet remain in office until he returns from his "rest" trip abroad, which according to Subandrio will begin in January with a visit to India and possibly one or two other countries.

American businessmen in Java now are taking a more serious view of the deteriorating economic situation there, according to Ambassador Allison. Stanvac's manager in Djakarta states that if normal shipping to all Indonesian ports is not re-established "immediately," serious food shortages will result within 20 or 30 days. Although he has not yet ordered Stanvac's American dependents in Java to leave, almost all have done so, and all Dutch dependents will be evacuated by 19 December. Ambassador Allison reports that information available to the embassy tends to confirm the Stanvac official's assessment.

A Dutch naval source in Singapore believes that although the Indonesian army wishes to remove Communist-controlled workers from seized Dutch firms, it has delayed this step because it fears civil war might ensue. He feels the army is rapidly running out of time and must take early action against these workers if it is to restore economic order on Java.

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6. THE NEW IRAQI CABINET

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Abd al-Wahhab Mirjan, president of the Iraqi parliament, has formed a fifteen-man cabinet, including seven members of the outgoing Ali Jawdat cabinet. In addition to the premiership, he has assumed the Defense Ministry portfolio. Mirjan, a member of the minority Shia Muslim sect and long a right-hand man to former prime minister Nuri Said, was minister of public works and communications in the outgoing cabinet.

Mirjan, while paying lip service to Arab unity and the Arab League, can be expected to carry out a more forceful pro-Western foreign policy--including support for the Baghdad pact--than Ali Jawdat, who followed a soft line toward Syria and Egypt and who de-emphasized the Baghdad pact. Ali Jawdat recently urged Crown Prince Abd al-Ilah to dissolve the present parliament, handpicked by Nuri in 1954, and call new elections. This met with refusal, and the prime minister's resignation followed, an indication that the crown prince and Nuri were dissatisfied with Ali Jawdat's policies.

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9. HONG KONG CONCERNED OVER PEIPING'S CONTINUING PRESSURE FOR OFFICIAL REPRESENTATION

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25X1A Comment on: [redacted]
[redacted] The Hong Kong government and the British Foreign Office have been exchanging views on the advisability of letting Communist China station an official representative in the colony, according to information passed by a high Hong Kong official to the US consul general.

Hong Kong authorities apparently hope that the US will urge London to refuse admission of an official Chinese Communist representative. According to the political adviser of the Hong Kong government, Chinese Communist representation would undermine the stability and prosperity of the colony.

Chou En-lai, who originally asked for permission to station a Chinese Communist "commissioner" in Hong Kong in February 1956, renewed the request to a British Board of Trade mission which concluded a visit to Peiping last month. Peiping may hold out the prospect of increased trade in return for permission to station its representative in Hong Kong.

London, despite Hong Kong's apparent apprehension, is unlikely to grant the Chinese request but may try to drag the issue out rather than risk antagonizing Peiping by a clear rebuff. [redacted]

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